Indications

QLT PhotoTherapeutics Inc.

1997

Annual Report

Indications

1. Conditions prompting the prescribing of medication or the performance of a treatment. 2. Things that serve to indicate or suggest. Signs.

While QLT's quest to become a leading global biotechnology company moves closer to realization in 1998, we are already members of an elite peer group. Consider this: barely two dozen of the more than 350 publicly-listed companies in our industry have potential blockbuster drugs in Phase III clinical trials. ∞ QLT, whose verteporfin product may address the unmet needs of millions of people now suffering from degenerative eye disease, is one of these few companies. ∞ Of course, becoming an industry leader requires more than developing an important product and getting it to market. It requires building the right team of professionals, choosing the right partners, developing long-term market opportunities and targeting those that offer the greatest potential reward.

QLT PhotoTherapeutics Inc. (QLT) is a world leader in the development and commercialization of proprietary pharmaceutical products for use in photodynamic therapy, an emerging field of medicine utilizing light-activated drugs in the treatment of disease. QLT's innovative science has advanced photodynamic therapy beyond applications in cancer towards potential breakthrough treatments in ophthalmology and autoimmune disease. ∞ QLT's portfolio of products include PHOTOFRIN® (porfimer sodium), the world's only approved photodynamic therapy drug, used in the treatment of various cancers throughout North America, Japan and Europe; and verteporfin (BPD-MA), a therapy in final stages of testing to treat age-related macular degeneration, the leading cause of blindness among the elderly.

Selected Financial Data

(In Millions of Dollars, except per share information)	1997		*1996*		*1995*	
	$ Cdn.	*$U.S.*	*$ Cdn.*	*$U.S.*	*$ Cdn.*	*$U.S.*
Revenue from collaborative arrangements	2.8	2.0	9.5	7.0	0.2	0.1
Royalties on product sales	1.1	0.8	0.7	0.5	0.4	0.3
Interest and other income	6.4	4.6	3.3	2.4	1.9	1.4
Research and development expenses	19.2	13.9	11.5	8.5	12.1	8.8
Net loss	(16.7)	(12.1)	(4.7)	(3.5)	(14.7)	(10.7)
Net loss per share	(0.64)	(0.46)	(0.19)	(0.14)	(0.77)	(0.56)
Weighted average shares outstanding	26.0		24.5		19.8	
Cash, cash equivalents and investment securities	89.8	62.9	97.2	71.5	16.1	11.8
Total assets	101.2	70.9	112.3	82.5	22.7	16.7
Shareholders' equity	94.8	66.5	108.9	80.1	21.2	15.6
Shares outstanding at end of year	26.1		25.9		20.0	
Employees	147		115		100	

Certain Statements in this Annual Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks associated with the commercialization of PHOTOFRIN® and verteporfin (BPD-MA); uncertainties relating to product development; the Company's history of operating losses and uncertainty of future profitability; uncertainty of access to additional capital; rapid technological change and competition; uncertainty regarding patents and proprietary rights; product liability claims and insurance; manufacturing uncertainties; anti-takeover provisions; uncertainty of pricing and reimbursement; no assurance of regulatory approval; government regulation; volatility of common share price and dependence on corporate relationships, all as described in the Company's annual information form on Form 10-K.

Indications

1. Conditions prompting the prescribing of medication or the performance of a treatment. 2. Things that serve to indicate or suggest. Signs.

While QLT's quest to become a leading global biotechnology company moves closer to realization in 1998, we are already members of an elite peer group. Consider this: barely two dozen of the more than 350 publicly-listed companies in our industry have potential blockbuster drugs in Phase III clinical trials. ∞ QLT, whose verteporfin product may address the unmet needs of millions of people now suffering from degenerative eye disease, is one of these few companies. ∞ Of course, becoming an industry leader requires more than developing an important product and getting it to market. It requires building the right team of professionals, choosing the right partners, developing long-term market opportunities and targeting those that offer the greatest potential reward.

Indications of Success

Those of you who have followed QLT since it began its long, sometimes-arduous journey as a public company in 1986 have already travelled many miles with us. Now, as the millennium approaches, we're more confident than ever that we'll reach our goal of becoming a top-tier biotechnology company. Key indicators of QLT's progress to date include:

- expansion of our first product to new markets and indications;
- development of a second potential breakthrough product;
- a growing development pipeline for the future;
- a sound financial position; and
- strong strategic partnerships.

QLT remains the only company in the world to have received regulatory approval to market a pharmaceutical product used in photodynamic therapy. This is no accident. It reflects QLT's unwavering focus on our core technology platform, our in-house expertise from drug design to regulatory approval, and our strategic marketing partnerships. More importantly, QLT's lead product – PHOTOFRIN – is now being used to treat patients around the world, improving their health and enriching the quality of their lives. It gives us great pleasure to depict some of these patients in the following pages of this report. Their smiles are perhaps the best indicators of QLT's success to date.

In our continuing efforts to expand the use of PHOTOFRIN – which is now available in five countries across North America, Europe and Asia as a treatment for various cancers – submissions for PHOTOFRIN approval remain pending in 11 additional countries.

Our business strategy remained on track in 1997 despite a difficult year for the biotechnology sector. Investors reacted to disappointing Phase III results from a number of biotechnology companies by rotating out of more speculative smaller-cap stocks into lower-risk senior issues. Thus, while the Standard & Poor's 500 Index gained 31% last year and the Standard & Poor's Drug Index – which reflects the performance of large, multinational drug companies – soared by 57%, the Nasdaq Biotechnology Index remained flat. Indeed, many small-cap biotechnology companies, including QLT, suffered sharp declines in stock price. Despite this difficult market environment, QLT remained focused on meeting its corporate milestones and objectives.

Highlights

PHOTOFRIN Launch in Europe

One key milestone QLT met in 1997 was the introduction of our technology into the European market. After receiving German approval in August, our European partner, Beaufour Ipsen, launched PHOTOFRIN in Germany for the treatment of early-stage lung cancer, and in France for the treatment of early and late-stage lung and esophageal cancer. Early indicators have been promising. Although PHOTOFRIN was not commercially available until mid-October, and only seven hospitals in Germany and France actively treated patients with our product, these countries generated 8% of total unit sales last year.

In late 1997, we continued to build on this success by submitting applications – in conjunction with Beaufour Ipsen – in nine other European countries, including the United Kingdom, for approval of PHOTOFRIN as a treatment for lung and esophageal cancers. With potential approvals for these submissions expected in the next 12 months and 1998 launches planned for Italy and the Netherlands, we expect photodynamic therapy to become a standard oncology treatment option throughout Europe in the next two to three years.

The past year also marked important technological advances in medical devices used in photodynamic therapy. The European launch of PHOTOFRIN coincided with the debut of a new 630 nanometer diode laser, which adds a third, less expensive alternative to the dye-laser systems currently marketed for use with PHOTOFRIN. Simply put, the new laser makes PHOTOFRIN accessible to smaller hospitals and treatment centers with limited budgets. Plans are underway to submit a pre-marketing approval application during the next year to bring the 630 nanometer diode laser to North America.

PHOTOFRIN and the U.S. Market

In September 1997, the Oncologic Drugs Advisory Committee (ODAC) of the U.S. Food and Drug Administration (FDA) recommended approval of PHOTOFRIN for the treatment of early-stage lung cancer. We received marketing clearance from the FDA in early 1998. Although we originally submitted applications for early and late-stage lung cancers, the advisory committee abstained from voting on approval of PHOTOFRIN for palliation of advanced lung cancer, citing inadequacies in the data. QLT submitted a response to the FDA addressing concerns raised at the hearing, and we are awaiting a reply.

QLT continues to regard the FDA's approval of PHOTOFRIN as a potentially curative treatment as a landmark decision for the technology, and for patients. The ruling underlines QLT's development plans to treat early-stage diseases such as Barrett's esophagus. Indeed, we believe this is where photodynamic therapy will ultimately yield its greatest benefits.

Investors however, were clearly disappointed in the FDA's ruling. The ensuing decline in QLT's share price was compounded in the final two quarters of 1997 by negative investor sentiment toward smaller-cap biotechnology stocks in general, and lower-than-expected PHOTOFRIN sales. Several factors contributed to the softness in PHOTOFRIN sales, including:

- delay in FDA approval for early-stage lung cancer;
- delay in the European launch of PHOTOFRIN from mid-year to mid-October (to coincide with the diode laser launch);
- delay in product pricing approval in Italy, where technical approval has already been granted; and
- limited commercial availability, with PHOTOFRIN approved for 'niche' markets.

On the plus side, Sanofi – QLT's marketing partner in the U.S. – made excellent progress in 1997 by introducing PHOTOFRIN to the U.S. market as a palliative treatment for advanced esophageal cancer. Sanofi's marketing efforts generated 70% of our 1997 PHOTOFRIN unit sales and has resulted in a total of 60 centers offering photodynamic therapy, including 14 comprehensive cancer care centers. This is exciting progress for a new technology that has just completed its first full year in the U.S. market.

Prospects look even brighter for 1998. Sanofi has informed us they will focus on building referral networks that feed into existing centers – with an emphasis on increasing productivity at each site – rather than establishing new locations. Sanofi will also continue successful programs such as their national speakers' bureau and formal training programs.

PHOTOFRIN exposure will also increase with the commencement of additional clinical trials, including a Phase IV trial for esophageal cancer, a Phase III trial for Barrett's esophagus, and presentation of data at major medical conferences as well as in key medical journals.

Other Markets for PHOTOFRIN

In Japan, QLT has faced a number of barriers that are peculiar to that market. The key obstacles include:

- laser costs, which are more than five times higher than in other countries; and
- highly restricted reimbursement to health care providers.

While there is no short-term solution for these problems, I would like to stress that these issues are unique to the Japanese marketplace. In Canada, where provincial formulary reimbursement remains an issue, we are working diligently to help resolve the situation. While frustrating, these obstacles typify the challenges inherent in establishing market beachheads around the world for an important new platform technology.

Clinical Progress

In ophthalmology, patients with age-related macular degeneration (AMD) were recruited for QLT's widely-watched Phase III trial with verteporfin in record time, illustrating both the need for an effective treatment and the benefits of a well-designed trial. QLT recruited 609 patients for the study within 10 months, nearly 13% above target. To date, no major safety issues have occurred to cause any alteration to trial protocol, and some patients have received as many as four treatments.

In our immune modulation research – a promising new area for QLT's platform technology – we completed a Phase I clinical trial for psoriatic arthritis in 1997, the results of which will be released in 1998.

Financial Review

QLT remains in a sound financial position. Revenues for 1997 totalled $10.3 million, including $1.2 million in royalties from worldwide PHOTOFRIN sales – which totalled $4.8 million – and $2.8 million in milestone payments. A 67% increase in research and development spending – to $19.2 million – brought total 1997 expenses to $27 million, up from $18.2 million in 1996. Total costs are expected to increase further in 1998, as QLT executes an aggressive clinical trial plan and prepares for the commercial launch of verteporfin. QLT posted a net loss of $16.7 million or $0.64 per share in 1997. The company's cash position remains very strong, with cash resources of $90 million at December 31, 1997.

Outlook

PHOTOFRIN Sales

In keeping with the increasing number of worldwide approvals and new indications, QLT expects PHOTOFRIN sales to grow significantly in 1998.

Verteporfin – QLT's Potential Blockbuster

As many shareholders are keenly aware, a much greater potential market opportunity lies ahead with QLT's promising second-generation product – verteporfin – which faces a pivotal stage in development.

Verteporfin is now in final-phase testing as a treatment for AMD, the leading cause of blindness in adults over age 50. With some 200,000 new cases of AMD diagnosed annually in North America alone, and an existing AMD population of approximately 2.5 million people, the potential for verteporfin to improve the lives of a large and growing number of people is quite significant.

A successful outcome for our Phase III trial and subsequent regulatory approval would have profound implications for QLT, and help facilitate our transformation into one of the globe's leading biotechnology players. Our excitement about verteporfin as a potentially effective treatment for AMD is based on:

- the large potential market for AMD;
- an AMD population that is growing significantly as the baby boom generation ages;
- QLT's strong partnership with CIBA Vision, widely recognized as a world leader in ophthalmology;
- a favorable profit sharing arrangement, under terms of QLT's agreement with CIBA Vision;
- verteporfin's unique product characteristics, including limited photosensitivity among patients, and rapid uptake by target tissue;
- the current widespread use and acceptance of lasers in the field of ophthalmology; and
- the availability of cost-effective diode lasers (currently made by Coherent Medical Group and Zeiss) which are used in tandem with verteporfin to treat AMD patients.

No Alternative Treatment

It is crucial to note that there is currently no effective, commercially-available treatment for the vast majority of people diagnosed with AMD. Results from our Phase I/II clinical trials, which involved more than 140 patients, yielded promising results which suggested that deterioration of visual acuity could be prevented with verteporfin treatment. In addition, QLT's treatment is fast and convenient. It is conducted on an out-patient basis, and typically requires less than 30 minutes to complete. The above factors are positive indicators for rapid and widespread adoption of this new technology by the ophthalmology community.

The significance of the AMD market and the compelling attributes of QLT's verteporfin product have garnered widespread attention among analysts, investors, and AMD patients. As a result, QLT and CIBA Vision are proceeding expeditiously with an aggressive development program.

QLT expects to complete the phase III double-masked clinical trial later this year. A rigorous assessment process will follow, during which the data will be carefully compiled, audited, unmasked, analyzed and assembled for regulatory review. By mid-1999, QLT expects to submit the data to various boards of health in North America and Europe. Pending approval, QLT projects a commercial launch of verteporfin in conjunction with CIBA Vision early in 2000.

QLT's Phase IIIB AMD Trial

While the Phase III AMD trial proceeds, QLT and CIBA Vision have commenced another Phase III trial to complement the initial trial, aimed at patients who were originally excluded. Both trials reflect the companies' efforts to confirm verteporfin efficacy in a broad range of patients.

Barrett's Esophagus

In early 1998, with strong Phase I/II results in hand, QLT began a Phase III clinical trial using PHOTOFRIN to treat Barrett's esophagus. This pre-cancerous condition is highly prevalent – notably, among middle-aged males – and is blamed for the increasing incidence of esophageal cancer. Currently, there are no approved treatments for this condition, other than surgical removal of the esophagus in patients with the most advanced form of the disease, which is considered tantamount to early esophageal cancer. Since a large number of patients exist for this currently-unaddressed medical need, we expect PHOTOFRIN to become a well-received treatment option.

QLT believes the FDA recognizes the pressing need for a treatment for this condition. Although the trial is designed to measure response rates over a two-year period, the FDA indicated it will consider an accelerated approval process if satisfactory responses are achieved six months after completion of patient enrollment. Patient recruitment has already begun and based on current timelines, QLT expects to be in a position to file for approval of PHOTOFRIN for Barrett's esophagus in 2000.

Additional Oncology Indications

In 1998, we will also assess the feasibility of moving ahead with various clinical trials for other indications. These include the application of PHOTOFRIN to treat head and neck cancer, and use of verteporfin in a number of other cancers. QLT and its partners are currently evaluating clinical trial results and market potential to determine whether further development is warranted.

Immune Modulation – QLT's Newest Frontier

One new area that holds enormous potential is the treatment of various autoimmune diseases. The approach QLT has devised employs a completely novel use of photodynamic therapy. Instead of destroying target cells – as is the case when treating cancer or ophthalmic conditions – the activated cells of the patient's immune system are down-regulated, rendering them inactive.

During this treatment, patients are injected with a photosensitizer, and then exposed to whole body illumination in a light box. Due to its selectivity, treatment with photodynamic therapy does not compromise the entire immune system and create unwanted side effects, as is the case with many existing treatments. Since immune cells travel throughout the body, treatment with photodynamic therapy results in a systemic effect.

In our first Phase I trial, we chose to treat psoriatic arthritis, because patients with this condition suffer from the symptoms of two conditions – psoriasis and arthritis – and are typically resistant to treatment. Although the primary objective of this trial was to assess safety, we were able to confirm that the treatment had a measurable, profound effect on the lesions associated with patients' psoriasis. To further QLT's understanding of this unique process, a second Phase I trial – this time treating rheumatoid arthritis, a debilitating condition that affects more than 1% of the world's population – will begin in the first quarter of 1998.

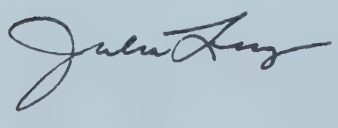
Bolstering QLT's Management Team for the Future

In keeping with QLT's growth expectations and increasing commercial focus, we continue to assess and strengthen our management team. In January 1998, we hired John Young as Vice President, Commercial Operations, to guide our technical operations, product supply and materials management. This is a vitally important function as QLT prepares for the launch of verteporfin. With over 20 years experience in the biotechnology and pharmaceutical industries, Mr. Young is a key addition to our senior management team. We expect him to have an immediate, positive impact on QLT's operations, just as last year's appointment of Dr. Mohammad Azab as Vice President, Clinical Research and Medical Affairs, has enabled QLT to step up its aggressive clinical trial program.

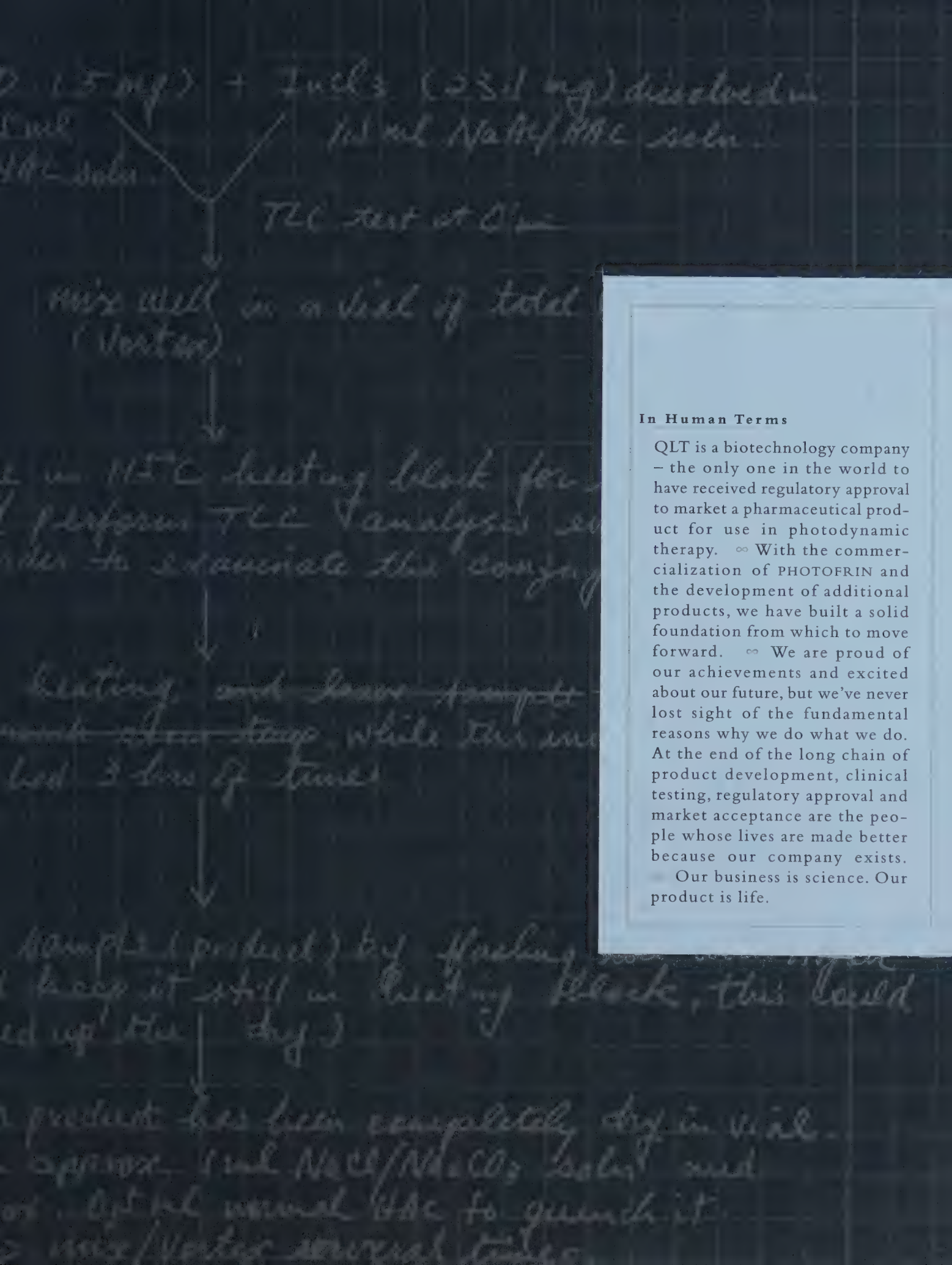
All indications suggest our mission to remain the leader in photodynamic therapy and to become one of the world's leading biotechnology companies is achievable. We will continue to focus on developing innovative applications for photodynamic therapy, and establishing strong strategic partnerships to bring our products to market. At this stage of QLT's growth, we have a unique advantage in the experience we've gained through conducting advanced phase clinical trials, seeking regulatory approvals, reaching commercial goals and determining what it takes to get a product to market. We will build on this experience as we continue our transformation from a research and development company to a biotechnology leader.

I'd like to take this opportunity to thank our shareholders for their ongoing support and our employees for their continuing dedication and determination to succeed.

On behalf of Management
and the Board of Directors,



Julia Levy, PH.D., D.SC., F.R.S.C.
President and Chief Executive Officer
March, 1998



In Human Terms

QLT is a biotechnology company – the only one in the world to have received regulatory approval to market a pharmaceutical product for use in photodynamic therapy. ∞ With the commercialization of PHOTOFRIN and the development of additional products, we have built a solid foundation from which to move forward. ∞ We are proud of our achievements and excited about our future, but we've never lost sight of the fundamental reasons why we do what we do. At the end of the long chain of product development, clinical testing, regulatory approval and market acceptance are the people whose lives are made better because our company exists. ∞ Our business is science. Our product is life.

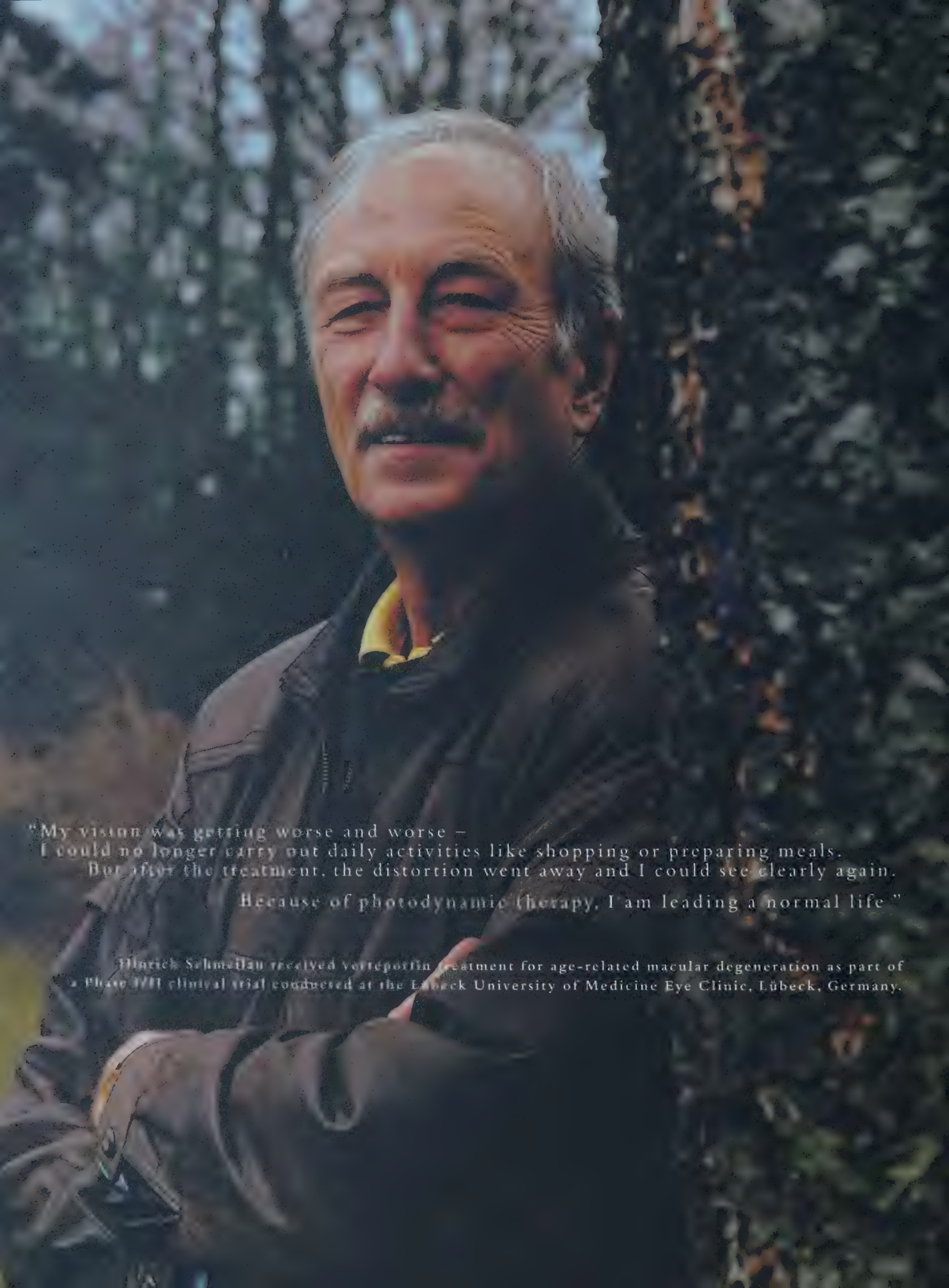
Cervical Cancer and Dysplasia

Approximately 21,000 Japanese women are diagnosed with either cervical cancer or cervical dysplasia – a pre-cancerous condition – every year. The benefits offered by photodynamic therapy are well-recognized in Japan, where PHOTOFRIN has been approved for the treatment of these conditions.

Because photodynamic therapy selectively targets diseased tissue, damage to surrounding normal tissue is minimized. This tissue-sparing property makes PHOTOFRIN an ideal treatment choice for patients with cervical disease who want to retain their ability to bear children. Unlike surgery, treatment with PHOTOFRIN does not eliminate the ability to conceive or carry a baby to full-term.

"Photodynamic therapy made a dramatic difference in my life.
My husband encouraged me to have this treatment.
We are so happy that I did because
I have since given birth to a beautiful daughter named Aoi."

Chiaki Hasegawa was treated with PHOTOFRIN for cervical cancer at Sasaki Institute, Kyoundo Hospital, Chiyoda-ku, Tokyo, Japan.



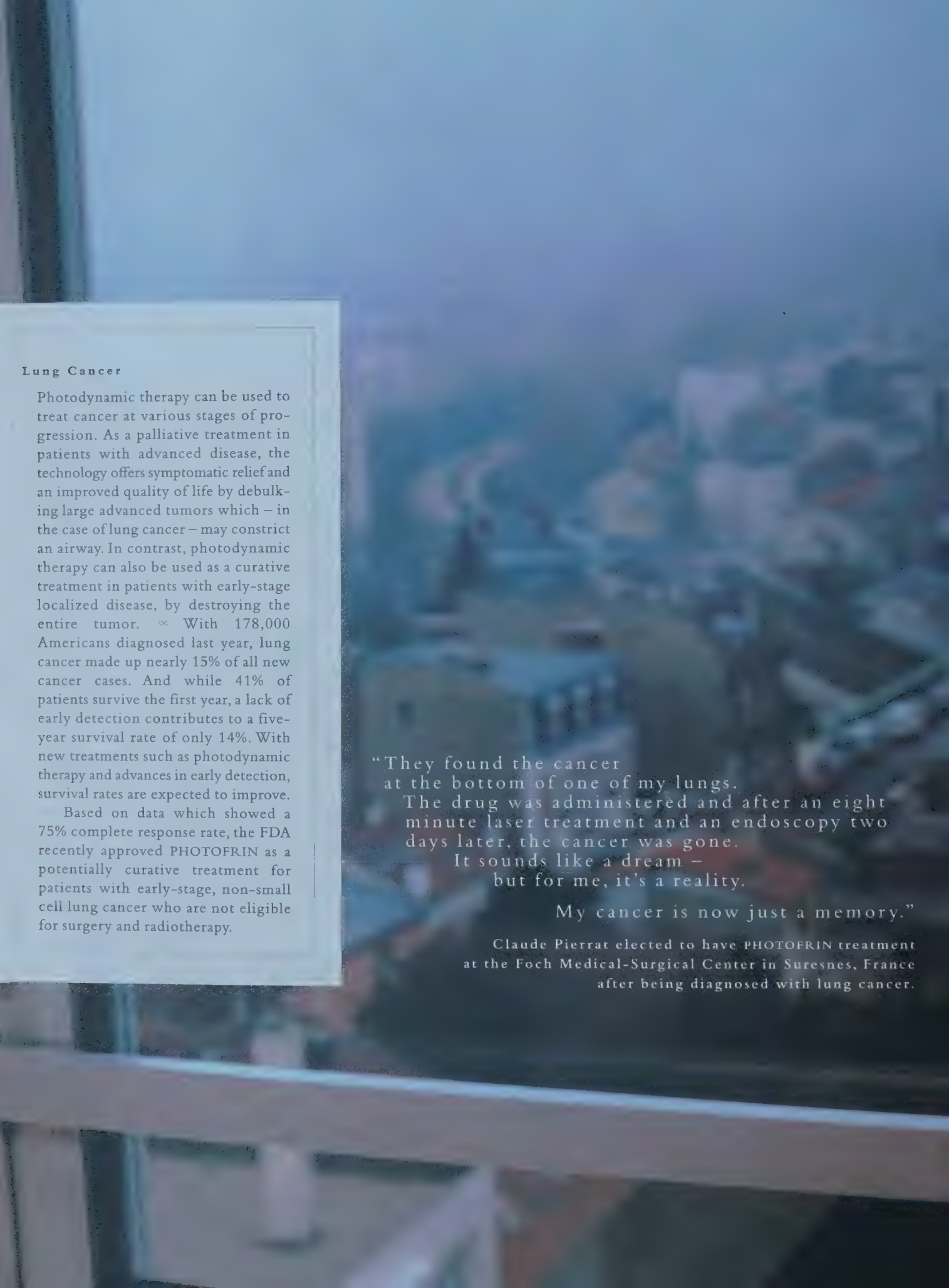
"My vision was getting worse and worse –
I could no longer carry out daily activities like shopping or preparing meals.
But after the treatment, the distortion went away and I could see clearly again.
Because of photodynamic therapy, I am leading a normal life."

Ehrich Schmellau received verteporfin treatment for age-related macular degeneration as part of a Phase IV clinical trial conducted at the Lübeck University of Medicine Eye Clinic, Lübeck, Germany.

Ophthalmology

QLT, in conjunction with CIBA Vision, is developing photodynamic therapy for the treatment of a variety of eye diseases caused by the formation and leakage of abnormal blood vessels. Over 2 million people worldwide have the severe or "wet" form of age-related macular degeneration (AMD), the leading cause of blindness in the elderly. Some 200,000 new cases are diagnosed annually in North America alone, and no satisfactory treatment exists for the vast majority of these patients. ∞ Phase I/II clinical trials involving over 140 patients showed that verteporfin stopped deterioration of vision by closing abnormal blood vessels without damaging normal vessels, even after multiple treatments. Phase III trials are being conducted throughout North America and Europe to confirm the product's effectiveness and durability.

Verteporfin is also in phase III testing to treat a similar but distinct condition in which abnormal blood vessels form as a result of progressive nearsightedness called pathologic myopia.



Lung Cancer

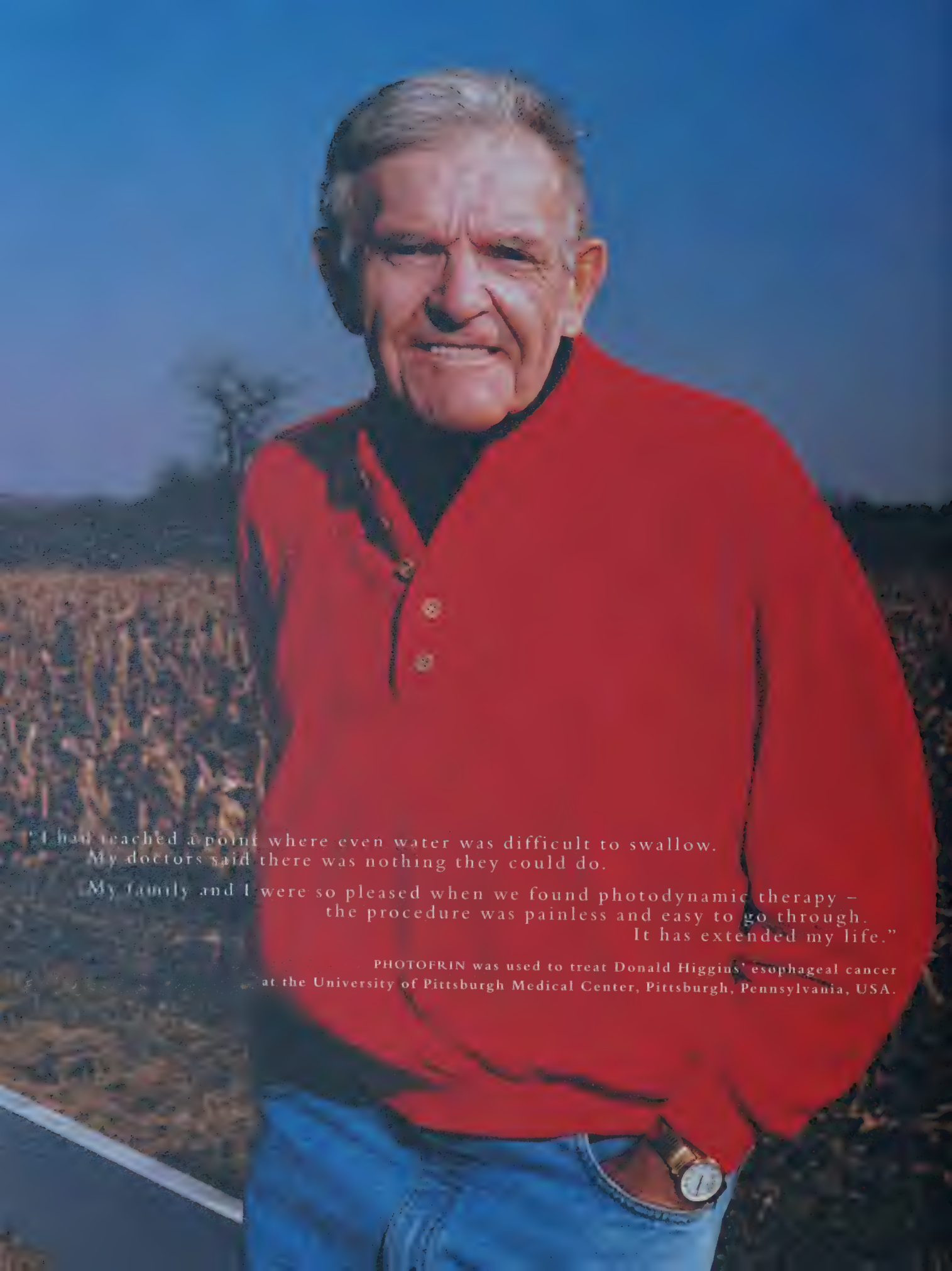
Photodynamic therapy can be used to treat cancer at various stages of progression. As a palliative treatment in patients with advanced disease, the technology offers symptomatic relief and an improved quality of life by debulking large advanced tumors which – in the case of lung cancer – may constrict an airway. In contrast, photodynamic therapy can also be used as a curative treatment in patients with early-stage localized disease, by destroying the entire tumor. ∝ With 178,000 Americans diagnosed last year, lung cancer made up nearly 15% of all new cancer cases. And while 41% of patients survive the first year, a lack of early detection contributes to a five-year survival rate of only 14%. With new treatments such as photodynamic therapy and advances in early detection, survival rates are expected to improve.

Based on data which showed a 75% complete response rate, the FDA recently approved PHOTOFRIN as a potentially curative treatment for patients with early-stage, non-small cell lung cancer who are not eligible for surgery and radiotherapy.

"They found the cancer
at the bottom of one of my lungs.
The drug was administered and after an eight
minute laser treatment and an endoscopy two
days later, the cancer was gone.
It sounds like a dream –
but for me, it's a reality.

My cancer is now just a memory."

Claude Pierrat elected to have PHOTOFRIN treatment
at the Foch Medical-Surgical Center in Suresnes, France
after being diagnosed with lung cancer.



"I had reached a point where even water was difficult to swallow.
My doctors said there was nothing they could do.
My family and I were so pleased when we found photodynamic therapy –
the procedure was painless and easy to go through.
It has extended my life."

PHOTOFRIN was used to treat Donald Higgins' esophageal cancer
at the University of Pittsburgh Medical Center, Pittsburgh, Pennsylvania, USA.

Esophageal Cancer

Although the U.S. incidence of esophageal cancer is relatively small at 12,500 new cases per year, it is increasing at a higher rate than any other cancer. Because this type of cancer is rarely detected at an early stage, by the time it is diagnosed, 75 to 80% of patients with the disease are incurable. The five-year survival rate is less than 10%. ∞ In patients with advanced disease, PHOTOFRIN therapy offers symptomatic relief by debulking large tumors which can restrict the esophagus. As a palliative treatment, PHOTOFRIN helps restore a patient's ability to swallow and to eat. ∞ At the end of 1997, sixty hospitals across the U.S. were using PHOTOFRIN to treat esophageal cancer.

Barrett's Esophagus

In North America alone, some two million people suffer from Barrett's esophagus, a pre-cancerous condition which occurs when the lining of the esophagus converts to stomach-type tissue as a response to chronic acid reflux. Because the condition increases the risk of developing esophageal cancer 30 to 40 fold, removal of the esophagus is recommended to the 5% of patients with severe disease called high-grade dysplasia. Although symptoms of acid reflux can be controlled, no treatment exists that can eliminate Barrett's esophagus and decrease the risk of developing cancer. In early clinical trials using PHOTOFRIN, high-grade dysplasia was eliminated in 75 to 80% of cases, and in patients where the condition had progressed to superficial cancer, treatment resulted in the complete elimination of carcinoma.

A phase III trial involving 200 patients with high-grade dysplasia is currently being conducted using PHOTOFRIN at centers throughout North America and Europe. QLT is also investigating the use of verteporfin to treat earlier stages of Barrett's esophagus.

"The complete eradication of Barrett's esophagus has given me back a normal life. More importantly, I was able to avoid radical surgery to remove my esophagus.

The combination of a remarkable medical technology and a brilliant physician eliminated my condition, greatly improved my quality of life, and provided me with a peace of mind I hadn't experienced in 25 years."

After being diagnosed with Barrett's esophagus, Joe Verrette was treated with PHOTOFRIN at the Thompson Cancer Survival Center in Knoxville, Tennessee, USA.

"The verteporfin treatment I received was very successful.
I started to improve after the second treatment and by the end of the trial,
almost all my psoriatic plaques had disappeared.
Finally, I was able to wear short sleeves and feel comfortable in front of people."

Stella Quinn was the first psoriatic arthritis patient treated with verteporfin in a phase I clinical trial conducted at the University of British Columbia, Division of Dermatology, Vancouver Hospital and Health Sciences Center, Vancouver, British Columbia, Canada.

Autoimmune Disease

Approximately 5% of adults suffer from some sort of autoimmune disease, characterized by disorders in which the body's immune system attacks its own cells. Symptoms range from moderate irritation and associated pain, to life threatening and fatal conditions. There are no cures for these diseases, and existing therapies are limited in their ability to alleviate symptoms.

In QLT's innovative approach to treating autoimmune conditions with photodynamic therapy, patients are injected with a photosensitizer, then exposed to whole body illumination. Rather than destroy cells, the treatment selectively inactivates certain cells of a patient's immune system, eliminating general immunosuppression caused by many existing treatments. Because immune system cells travel throughout the body, the treatment produces a systemic effect. ∞ QLT has done extensive pre-clinical research on conditions such as multiple sclerosis, lupus, transplantation, psoriasis and arthritis. Safety and proof of concept are being assessed in phase I clinical trials using verteporfin to treat both psoriatic and rheumatoid arthritis.

The Long-term

Our goal is to be one of the world's premier biotechnology companies, providing products that improve health and enrich quality of life for people all over the world. — Our path is clear.

We will continue to focus on developing innovative new applications for our technology, while building and strengthening the strategic partnerships that help bring our products to market. — We know what it takes to move a product from an idea to reality. We'll build on that expertise as we continue to transform QLT PhotoTherapeutics from a research and development company to an industry leader.

— All indications suggest that we will achieve our goals.

Photodynamic therapy

Photodynamic therapy is a platform technology that utilizes light-activated drugs to treat a wide range of medical conditions. Any disease associated with rapidly growing tissue, including the formation of abnormal blood vessels, can potentially be treated with this technology. QLT's innovative science has advanced photodynamic therapy beyond applications in cancer towards potential breakthrough treatments in ophthalmology and autoimmune disease.

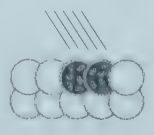
Treatment with photodynamic therapy consists of a two-step process beginning with administration of the drug, or "photosensitizer", by intravenous injection. While circulating in the bloodstream, the drug attaches to molecules called lipoproteins. Because cells undergoing rapid proliferation require a greater amount of lipoproteins than do normal cells, the drug is delivered more quickly and in higher concentrations to these types of cells.

Once the concentration of drug reaches appropriate levels in target cells, it is activated with a pre-calculated dose of light of a particular wavelength. The activated drug subsequently causes the conversion of normal oxygen found in tissue to a highly energized form called "singlet oxygen". The singlet oxygen, in turn, causes cell death by disrupting normal cellular functions. Neither the drug nor the light exert any effect until combined.

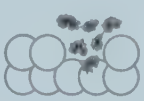
Because the light is shone directly at the targeted tissue and the drug accumulates preferentially in these cells, photodynamic therapy results in a highly selective treatment. Selectivity is advantageous because it reduces damage to normal surrounding tissue, allowing for retreatment.

a photosensitizer is injected into the bloodstream, attaching to lipoproteins

lipoproteins carry the photosensitizer to target cells



photosensitizer is activated by light, resulting in disruption of biochemical processes in target cells



target cells are destroyed, leaving surrounding cells intact

Because photodynamic therapy is a minimally invasive procedure that can be performed on an out-patient basis, it is also a cost effective alternative – an increasingly important benefit for today's cost conscious health care systems.

Devices

QLT ensures the availability of state-of-the-art light sources and delivery systems by forming alliances with leading medical device companies for the co-development and promotion of dedicated photodynamic therapy lights and related devices. Today, companies such as Coherent Medical Group, Diomed, Laserscope and Zeiss produce the devices used to activate QLT's products.

The type of light source used varies depending on the indication being treated. When treating internal conditions such as cancer, a fiber optic is used to deliver light to the treatment site from either an argon-ion dye pumped laser or a diode laser. In ophthalmology, diode laser light is shone through the slit lamp of a microscope into the patient's eye. In the case of autoimmune conditions, patients stand in a whole body light box containing fluorescent lights of an appropriate wavelength.

Future advancements in device technology resulting in the availability of better, lower cost light systems will undoubtedly contribute to the further establishment of photodynamic therapy.

The following information should be read in conjunction with the audited consolidated financial statements and related notes included therein which are prepared in accordance with Canadian GAAP. For a description of the material differences between Canadian GAAP and U.S. GAAP with respect to the Company's results of operations, see Note 11 to the audited consolidated financial statements.

Overview

Since its inception in 1981, the Company has been engaged primarily in the research and development of proprietary pharmaceutical products and only recently has generated initial revenues from the commercial sale of such products. The Company has not earned any profits since its inception and expects to incur additional operating losses over the next several years due to continued requirements for research and development, pre-clinical, clinical testing and regulatory activities and until further and initial marketing approvals for PHOTOFRIN and verteporfin, respectively, are obtained and significant revenues realized therefrom.

Results of Operations

For the fiscal year ended December 31, 1997, the Company recorded a net loss of $16,682,477 or $0.64 per common share. These results compare with a net loss of $4,697,659 or $0.19 per common share, for fiscal year ended December 31, 1996 and a net loss of $14,689,691, or $0.77 per common share, for fiscal year ended December 31, 1995. The results of operations for 1997 and 1996 were generally in line with management's expectations, except as described below.

Revenues

Interest and other income for the year ended December 31, 1997 increased by 91% compared to levels in 1996 due primarily to higher average cash balances, offset partially by lower interest yields, and foreign exchange gains on the Company's foreign currency denominated cash balances. Interest and other income for the fiscal year ended December 31, 1996, increased by 73% compared to levels in 1995 due primarily to increasing cash balances during 1996 resulting from an equity offering completed by the Company in April, 1996. The Company expects that interest and other income will continue to fluctuate in relation to cash balances, interest yields and foreign exchange rates. See "Liquidity and Capital Resources".

The Company's distribution partners commenced commercial sales of PHOTOFRIN in Japan in April 1995, in Canada in July 1995, in the United States in October 1996 and in France and Germany in October 1997. For the fiscal year ended December 31, 1997, the Company recorded royalty revenue of $1,183,373 on end-user PHOTOFRIN sales of approximately $4.8 million (U.S.$3.4 million). The increase in royalty revenue in 1997 related almost entirely to the impact of a full year of PHOTOFRIN sales in the United States as compared to only one quarter of sales in 1996. Looking forward to 1998, the Company expects PHOTOFRIN sales to grow significantly with additional regulatory approvals, a full year of sales in France and Germany and further growth in the United States.

During 1997, the Company recorded licensing fees from Beaufour Ipsen of $2,789,986 (U.S.$2,000,000) relating to the commercial launch of PHOTOFRIN in France and the regulatory approval of PHOTOFRIN in Germany. The Company expects to receive additional licensing fees in 1998 and subsequent years from existing and new collaborative arrangements. The extent and timing of such additional licensing fees, if any, will be dependent upon the overall structure of current and proposed agreements, including the distribution of profits from product sales.

During September 1997, an advisory committee of the FDA provided a positive recommendation on the Company's application to expand the approval of PHOTOFRIN to include the treatment of early-stage lung cancer, for which FDA granted approval in January 1998. However, the committee did not provide a recommendation on the Company's application relating to the treatment of advanced lung cancer using PHOTOFRIN. The Company is continuing to discuss its advanced lung cancer indication application with the FDA, but there can be no assurance that the FDA will ultimately approve the Company's application and permit the marketing of PHOTOFRIN for this indication.

The level of PHOTOFRIN sales may be affected during 1998 and thereafter by uncertainty relating to the FDA's review of PHOTOFRIN for the treatment of advanced lung cancer; uncertainty of the price reimbursement structure for PHOTOFRIN; the timing of a new marketing and distribution agreement in Asia (excluding Japan); the ability to expedite product launches for PHOTOFRIN in Europe following receipt of additional regulatory approvals; sufficient product supply being made available by American Home Products Corporation and the placement of additional medical lasers in key jurisdictions.

The extent of cash flow provided to the Company from PHOTOFRIN sales is dependent upon the marketing performance of Sanofi Pharmaceuticals Inc., Beaufour Ipsen, Lederle (Japan) Ltd., Ligand Pharmaceuticals Inc., and other marketing and distribution partners. Under the Company's agreements with its marketing partners, the Company is entitled to a royalty on PHOTOFRIN product sales and/or a transfer price computed as a reimbursement of manufacturing costs.

Costs and Expenses

Total costs and expenses for fiscal year ended December 31, 1997 increased by 49% from the same period in 1996. Total costs and expenses for the fiscal year ended December 31, 1996 increased by 6% from the same period in 1995.

Research and development costs increased by 67% in 1997 compared to 1996. The increase is related primarily to increased personnel, additional manufacturing and formulation development activities for verteporfin and significant incremental costs associated with the Phase III clinical trials for age-related macular degeneration. The Company had previously expected that research and development costs for the 1997 fiscal year would be approximately 25% greater than for the 1996 fiscal year. However, several new initiatives in research and development were commenced by the Company in 1997 and the costs of such activities were greater than anticipated. Research and development costs decreased by 5% in 1996 compared to 1995.

On February 6, 1995, the Company signed an agreement with CIBA Vision to pursue worldwide joint development of verteporfin as a potential treatment for certain eye diseases. Under the terms of that agreement, the Company is responsible for 40% of research and development costs for verteporfin and CIBA Vision is responsible for the remaining 60%. Revenues realized from product sales will be shared on an equal basis by the Company and CIBA Vision after deductions for marketing costs, manufacturing costs and third-party royalties.

Under the Company's agreement with Beaufour Ipsen, which commenced in 1997, Beaufour Ipsen will fund research and development efforts for oncology in Europe up to U.S.$15 million (approximately Cdn.$21 million). Aggregate costs in excess of U.S.$15 million, will be shared on an equal basis by the Company and Beaufour Ipsen.

Total selling, general and administrative expenses for 1997 were 17% higher than in 1996. The increase related primarily to increased personnel and associated hiring costs, costs of increased corporate development activities relating to the formation of new strategic alliances and pre-marketing activities for PHOTOFRIN. The Company had previously expected that selling, general and administrative expenses for 1997 would be approximately 30% greater than the 1996 fiscal year. However, actual costs were slightly lower than anticipated due primarily to the deferral of certain activities until 1998. Total selling, general and administrative expenses for 1996 were 39% higher than in 1995. The increase related to the formation of strategic alliances and pre-marketing activities for PHOTOFRIN.

Amortization expense relates to the amortization of capital assets and patents, licenses and rights. For 1997, amortization expense was 14% higher than the amount recorded in the same period in 1996 with the increase related to a higher level of year-to-date capital asset additions compared to 1996 and the depreciation timing impact of significant additions in late 1996. Amortization expense for 1996 was 12% higher than in 1995 for similar reasons.

Effect of Inflation

The Company does not believe that inflation has a significant effect on its business.

Implications of Year 2000 Issue

The Year 2000 Issue generally refers to the business implications of the arrival of the new millennium on computer hardware systems and software. On January 1, 2000 many computer systems could either fail completely or create erroneous data as a result of misinterpretation of the year. The results of such failures could range from relatively minor processing inaccuracies to catastrophic system malfunctions.

The Company has evaluated its systems and is developing plans to identify and address any critical information systems weaknesses prior to January 1, 2000. Due to the simplicity of the Company's systems and the nature of the Company's business, the Company does not believe that the Company is at significant risk relating to the Year 2000 Issue.

The Company does conduct a significant portion of activities with third parties, including suppliers, manufacturers and distributors. The Company intends to review the plans of each significant third party to ensure that such third parties are Year 2000 compliant prior to January 1, 2000.

The Company does not believe that the cost of addressing the Year 2000 Issue will materially affect the results of operations or financial condition of the Company. Any costs incurred relating to the Year 2000 Issue will be expensed as incurred.

Liquidity and Capital Resources

Since inception the Company has financed product development, operations and capital expenditures primarily from public and private sales of equity securities and funding arrangements with strategic partners.

Cash and cash equivalents, short-term investment securities and long-term investment securities decreased by approximately $7.4 million during the year ended December 31, 1997. The decrease relates to the net effect of the Company's operating deficit net of amortization ($14.6 million), working capital change ($6.4 million) and capital expenditures ($1.9 million). This decrease was partially offset by the proceeds received from the exercise of stock options by employees ($2.7 million). The Company does not expect the level of capital expenditures for 1998 to change significantly from 1997.

The approval of PHOTOFRIN in Canada on April 20, 1993 triggered certain additional payments to several unrelated third parties with respect to the Company's acquisition of the rights to PHOTOFRIN in 1987. On June 19, 1993, the Company issued 231,589 Common Shares with a market value of U.S.$2,000,000 to a group of former licensees of PHOTOFRIN as a component of the acquisition cost. This issuance of Common Shares reduced non-current liabilities by $2,532,500 (U.S.$2,000,000), being the obligation originally recorded in 1987.

In addition, the Company made a payment to Johnson & Johnson of U.S.$250,000 on April 19, 1994 and made a further payment of U.S.$500,000 on April 19, 1995. Additional payments to Johnson & Johnson commenced on April 19, 1996 and will be required annually thereafter based on the level of PHOTOFRIN sales, but in no event will annual payments exceed U.S.$500,000 nor will cumulative payments exceed U.S.$4,200,000. Subsequently, payments of U.S.$18,418 and U.S.$124,505 related to the years ended April 19, 1996 and 1997, respectively, have been made to Johnson & Johnson.

As of December 31, 1997, the Company had no long-term obligations.

As of December 31, 1997, the Company had total cash reserves of approximately $90 million invested with the majority (97%) in short-term, high-grade investment securities. Investments with maturities in excess of ninety days but less than one year are presented in the balance sheet as short-term investment securities. Investments with maturities in excess of one year are presented in the balance sheet as long-term investment securities. The Company believes that its current cash reserves and working capital should be sufficient to satisfy the cash requirements of product development programs and the repayment of obligations to Johnson & Johnson, for approximately the next four years. The Company expects to continue to receive cash flow from its share of the product sales of PHOTOFRIN in 1998 based on continued marketing efforts in Japan, Canada, certain countries in Europe and the United States. The Company expects to receive sales revenue in the future from other jurisdictions if regulatory and pricing approvals are received and, where appropriate, as marketing and distribution arrangements are established in each jurisdiction to allow commercial launches of PHOTOFRIN. Depending on the structure of future strategic alliances, the Company may have additional capital requirements related to the marketing and distribution of PHOTOFRIN and verteporfin.

The Company expects that it may require additional capital in the future to fund clinical and product development costs for certain photodynamic therapy product applications, including the costs associated with conducting clinical trials of verteporfin for the treatment of ophthalmic indications including age-related macular degeneration. Accordingly, the Company anticipates funding research and development activities from a combination of sources, including product licensing, joint ventures and other financing arrangements. In addition, the Company may issue debt or equity securities in the future if it determines that additional cash resources could be obtained under favorable financial market conditions, or if future development funding requirements cannot be satisfied with available cash resources. No assurance can be given that additional funding will be available or, if available, on terms acceptable to the Company. If adequate capital is unavailable, the Company may have to substantially reduce or eliminate expenditures for research, development, clinical testing, manufacturing and marketing for certain photodynamic therapy applications.

The consolidated financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles and have been approved by the Board of Directors. The integrity and objectivity of these consolidated financial statements are the responsibility of management. In addition, management is responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

In support of this responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The consolidated financial statements may include amounts which are based on the best estimates and judgements of management.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee consists of three directors not involved in the daily operations of the Company. The functions of the Audit Committee are to review the quarterly and annual consolidated financial statements, review the adequacy of the system of internal controls, review any relevant accounting, financial and security regulatory matters and recommend the appointment of external auditors. The Audit Committee meets on a quarterly basis with management and the external auditors of the Company to satisfy itself that their responsibilities have been properly discharged.

The external auditors, Deloitte & Touche, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the consolidated financial statements. Their examination includes a review of the Company's system of internal controls and appropriate tests and procedures to provide reasonable assurance that the consolidated financial statements are, in all material respects, presented fairly and in accordance with generally accepted accounting principles in Canada. The external auditors have free and full access to the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls.

JULIA G. LEVY, PH.D
President and Chief Executive Officer

KENNETH H. GALBRAITH, C.A.
Senior Vice President and Chief Financial Officer

To the Shareholders of QLT PhotoTherapeutics Inc.

We have audited the consolidated balance sheets of QLT PhotoTherapeutics Inc. as at December 31, 1997 and 1996 and the consolidated statements of operations, cash flows and changes in shareholders' equity for each of the years in the three year period ended December 31, 1997. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1997 and 1996 and the results of its operations, cash flows and changes in shareholders' equity for each of the years in the three year period ended December 31, 1997 in accordance with accounting principles generally accepted in Canada consistently applied.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants, Vancouver, Canada

February 10, 1998

As at December 31, (Expressed in thousands of Canadian Dollars)	1997	*1996*
Assets		
Current assets		
Cash and cash equivalents	$ 60,217	$ 43,187
Short-term investment securities	26,684	53,964
Receivables, inventories and prepaid expenses *(Note 2)*	7,268	10,674
	94,169	107,825
Long-term investment securities	2,887	—
Capital assets *(Note 3)*	3,768	2,708
Intangible assets *(Note 4)*	399	1,662
	$ 101,223	$ 112,195
Liabilities		
Current liabilities *(Note 5)*	$ 6,375	$ 3,338
Shareholders' Equity		
Share capital *(Note 7)*		
Authorized:		
100,000,000 common shares without par value		
5,000,000 first preference shares without par value, issuable in series		
Issued and outstanding:		
Common shares		
December 31, 1997 – 26,101,762		
December 31, 1996 – 25,917,055	204,652	201,978
First preference shares		
December 31, 1997 – 368,069		
December 31, 1996 – 368,069	6,850	6,850
Accumulated deficit	(116,654)	(99,971)
	94,848	108,857
	$ 101,223	$ 112,195

Approved by the Board:

E.D. SCOTT
Director

J. G. LEVY
Director

Year ended December 31, (Expressed in thousands of Canadian Dollars except per share information)	1997	*1996*	*1995*
[illegible]			
Revenue from collaborative arrangements *(Note 6)*	$ 2,790	$ 9,500	$ 250
Royalties on product sales	1,183	669	358
Interest and other income	6,368	3,328	1,923
	10,341	13,497	2,531
[illegible]			
Research and development	19,214	11,480	12,068
Selling, general and administrative	5,688	4,847	3,493
Amortization	2,122	1,867	1,660
	27,024	18,194	17,221
[illegible] loss	$ (16,683)	$ (4,697)	$ (14,690)
[illegible] per common share	$ (0.64)	$ (0.19)	$ (0.77)
[illegible] r of common shares outstanding	26,036	24,473	19,788

Consolidated Statements of Cash Flows

Year ended December 31, (Expressed in thousands of Canadian Dollars)	1997	*1996*	*1995*
Cash provided by (used in) operating activities			
Net loss for the year	$ (16,683)	$ (4,697)	$ (14,690)
Items not involving a current cash flow			
Amortization	2,122	1,867	1,660
Changes in non-cash working capital components			
Receivables, inventories and prepaid expenses	3,406	(8,676)	(1,550)
Current liabilities	3,037	1,854	(425)
	(8,118)	(9,652)	(15,005)
Cash provided by (used in) investing activities			
Purchase of capital assets	(1,919)	(1,616)	(872)
Short-term investment securities	27,280	(53,565)	6,528
Long-term investment securities	(2,887)	4,295	—
	22,474	(50,886)	5,656
Cash provided by (used in) financing activities			
Issuance of common shares	2,674	92,776	2,119
Conversion of Series "C" First Preference Shares	—	(5,900)	—
Issuance of Series "D" First Preference Shares	—	6,850	—
Dividends paid on redemption of Series "C" First Preference Shares	—	(1,365)	—
Other liabilities	—	—	(700)
	2,674	92,361	1,419
Net increase (decrease) in cash and cash equivalents	17,030	31,823	(7,930)
Cash and cash equivalents, beginning of year	43,187	11,364	19,294
Cash and cash equivalents, end of year	$ 60,217	$ 43,187	$ 11,364

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of Canadian Dollars)	Common Shares		Preference Shares		Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount		
Balance at January 1, 1995	19,740,548	$ 107,083	500,000	$ 5,900	$ (79,218)	$ 33,765
Exercise of stock options at prices ranging from $5.88 to $11.13 per share	250,791	2,078	—	—	—	2,078
Issuance of common shares to executive officer at a deemed price of $8.13 per share	5,000	41	—	—	—	41
Net loss	—	—	—	—	(14,690)	(14,690)
Balance at December 31, 1995	19,996,339	$ 109,202	500,000	$ 5,900	$ (93,908)	$ 21,194
Exercise of stock options at prices ranging from $5.50 to $24.00 per share	1,092,400	10,606	—	—	—	10,606
Issuance of common shares at $21.25 per share, net of issuance costs	3,450,000	68,154	—	—	—	68,154
Conversion of Series "C" First Preference Shares to common shares at par value plus accrued unpaid cumulative dividends	1,180,453	7,266	(500,000)	(5,900)	(1,366)	—
Issuance of Series "D" First Preference Shares to Sanofi Pharmaceuticals Inc.	—	—	368,069	6,850	—	6,850
Issuance of common shares to Beaufour Ipsen at $34.11 per share	197,863	6,750	—	—	—	6,750
Net loss	—	—	—	—	(4,697)	(4,697)
Balance at December 31, 1996	25,917,055	201,978	368,069	6,850	(99,971)	108,857
Exercise of stock options at prices ranging from $5.88 to $31.85 per share	184,707	2,674	—	—	—	2,674
Net loss	—	—	—	—	(16,683)	(16,683)
Balance at December 31, 1997	26,101,762	$ 204,652	368,069	$ 6,850	$(116,654)	$ 94,848

The Company is a pharmaceutical corporation engaged in the research, development and commercialization of light-activated drugs used in photodynamic therapy.

Note 1. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). In certain aspects, Canadian GAAP may differ from generally accepted accounting principles in the United States ("U.S. GAAP"). See Note 11 for significant differences between Canadian GAAP and U.S. GAAP. These consolidated financial statements conform in all material respects with U.S. GAAP. All amounts are expressed in Canadian Dollars unless otherwise indicated.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions have been eliminated.

Cash and Cash Equivalents, Short-term Investment Securities and Long-term Investment Securities

The Company has invested its surplus cash in bankers' acceptances, treasury bills and certificates of deposit. Cash equivalents are valued at cost and accrued interest which approximates market value and have maturities at the date of purchase of less than ninety days.

Short-term investment securities consist principally of bankers' acceptances, certificates of deposit and commercial paper (R1-M or higher) with varying maturities of between ninety days and one year at the date of purchase and are valued at cost and accrued interest which approximates market value.

Long-term investment securities consist of government bonds with maturities in excess of one year at the date of purchase and are valued at cost and accrued interest which approximates market value.

Capital Assets

Capital assets are initially recorded at cost and amortized over their estimated useful lives on a declining-balance basis at 20% per annum, except for leasehold improvements which are amortized on a straight-line basis over the term of the related lease. The Company assesses potential impairment of research equipment by determining the extent of continued productive use of the equipment in the conduct of research and development.

Intangible Assets

Intangible assets consist of: (i) the cost of acquiring patents, licenses and rights to PHOTOFRIN which is being amortized over a ten year period; and (ii) the cost of acquiring certain marketing rights from American Cyanamid Company ("Cyanamid") which is being amortized over five years. The costs of servicing the Company's patents and other intellectual property are expensed as incurred. The Company assesses potential impairment of the intangible assets by measuring the expected net recovery from products based on these rights on an annual basis.

Inventories

Inventories are valued at the lower of weighted average cost and net realizable value.

Common Shares

Common shares issued for consideration other than cash are valued at the quoted market price as of the date of the agreement to issue such common shares.

Note 1. Significant Accounting Policies (continued)

Government Assistance

Government assistance relating to a capital asset is accounted for as a reduction of the acquisition cost of the capital asset. Government assistance relating to a current expenditure is recorded as a reduction of the related expenditure.

Revenue Recognition

Royalties on product sales are recognized as earned under the Company's collaborative arrangements which generally are consistent with the period of the product sale by the collaborators. Other revenue from collaborative arrangements is recorded as income in the year earned in accordance with the arrangement.

Foreign Currency Translation

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

Accounting Estimates

Preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, including accounts receivable and inventories, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Net Loss Per Common Share

Net loss per common share is computed using the weighted average number of common shares outstanding during the period. Fully-diluted loss per common share has not been disclosed as the effect of common shares issuable upon the exercise of options or warrants would be anti-dilutive.

Research and Development

All costs of research and development activities are recorded as expenses in the year incurred. The Company records amounts reimbursed by third parties for research and development activities performed by the Company in accordance with collaborative arrangements as a reduction of research and development costs.

Note 2. Receivables, Inventories, and Prepaid Expenses

	1997	1996
Receivables		
Amounts due under collaborative arrangements	$ —	$ 6,991
Amounts due for reimbursement of co-development costs	1,817	1,464
Other	2,317	433
Inventories		
Raw materials and supplies	1,672	593
Finished goods	1,036	652
Prepaid expenses	426	541
	$ 7,268	$ 10,674

Note 3. Capital Assets

	1997	1996
Leasehold improvements	$ 1,089	$ 912
Office furnishings, equipment and software	2,628	1,379
Research equipment	5,051	4,579
	8,768	6,870
Less: Accumulated amortization	(5,000)	(4,162)
	$ 3,768	$ 2,708

Note 4. Intangible Assets

	1997	1996
Patents, licenses and rights, at cost	$ 7,392	$ 7,392
Less: Accumulated amortization	(6,993)	(5,730)
	$ 399	$ 1,662

Patents, licenses and rights consist of (i) the rights, title and interest respecting the former photodynamic therapy business of Johnson & Johnson, including the rights to the light-activated drug, PHOTOFRIN, purchased by the Company in 1987 and (ii) certain European marketing rights acquired by the Company in 1996 from Cyanamid. Additional payments based on a percentage of worldwide sales between April 1995 and April 2013 are payable to Johnson & Johnson subject to an annual maximum of U.S.$500,000 and a cumulative maximum of U.S.$4,200,000. Such payments are recorded as selling expenses in the fiscal year relating to product sales. As of December 31, 1997 the Company has made cumulative payments to Johnson & Johnson of U.S.$142,923 pursuant to the acquisition of such rights.

Note 5. Current Liabilities

	1997	*1996*
Trade payables	$ 4,390	$ 2,046
Accrued liabilities	1,838	1,292
Deferred revenue	147	—
	$ 6,375	$ 3,338

Note 6. Collaborative Arrangements

(a) American Home Products Corporation ("American Home") In 1987, Cyanamid entered into a co-development and distributorship agreement with the Company. In November 1994, American Home acquired indirectly all of the outstanding common shares of Cyanamid, which continues to operate as a wholly-owned subsidiary of American Home. As of December 31, 1997, American Home was the beneficial owner of less than 5% of the issued and outstanding common shares of the Company.

During the last three fiscal years, the Company had the following related party transactions with American Home or Cyanamid:

(i) Prior to 1996, the Company and Cyanamid shared equally certain development costs covering the development of PHOTOFRIN with the aggregate amount subject to co-funding in 1995 being U.S.$506,000.

(ii) During 1997, the Company contracted the services of American Home in the development and manufacturing of PHOTOFRIN and verteporfin on a basis consistent with terms and conditions for the provision of such services between unrelated parties for total fees of $631,000 (1996 – $309,000; 1995 – $488,000).

(iii) During 1996, the Company reacquired certain product rights to PHOTOFRIN from American Home with total purchase consideration of approximately $500,000 including the estimated cost of transferring such rights.

(iv) Effective December 1, 1996, the Company and various affiliates of American Home entered into three new agreements relating mainly to the continued manufacture and distribution of PHOTOFRIN in Japan by American Home.

(b) CIBA Vision Ophthalmics AG ("CIBA Vision") During 1995, the Company entered into an agreement with CIBA Vision for the joint development and marketing of the Company's products as potential treatments for certain eye diseases. The Company is responsible for forty percent of the research and development costs and CIBA Vision is responsible for the remaining sixty percent. The Company and CIBA Vision will share equally the profits realized on revenues from product sales.

(c) Ligand Pharmaceuticals Inc. ("Ligand") During 1995, the Company entered into a marketing and distribution agreement with Ligand for the exclusive distribution of PHOTOFRIN in Canada. Under the terms of the ten year agreement, the Company will supply PHOTOFRIN to Ligand and Ligand and the Company will share revenues from product sales based on a formula provided for in the agreement. Ligand paid the Company an initial licensing fee in 1995 and is obligated to make three fixed payments in the future based on the attainment of certain cumulative net product sales levels.

(d) Sanofi Pharmaceuticals Inc. ("Sanofi") On January 9, 1996, the Company entered into an agreement with Sanofi with respect to the marketing of the Company's products for cancerous and pre-cancerous conditions in the United States and the Caribbean.

Under the terms of the agreement, Sanofi purchased 368,069 non-transferable convertible redeemable Series "D" First Preference Shares issued at a price of U.S.$13.58 (Cdn.$18.47) per share for total proceeds of U.S.$5,000,000 (Cdn.$6,850,000). Also, the Company earned an initial milestone fee of U.S.$5,000,000 (Cdn$6,900,000) in 1996, which was paid by Sanofi subsequent to the year end. Based upon the occurrence of certain future events, the Company is entitled to additional cash payments of U.S.$16,500,000 (approximately Cdn.$23,760,000).

In addition, the Company is entitled to receive reimbursement of manufacturing costs and royalty payments based on product sales by Sanofi.

(e) Beaufour Ipsen Group ("Beaufour Ipsen") On December 18, 1996, the Company entered into an agreement with Beaufour Ipsen for the marketing of the Company's products for cancerous and pre-cancerous conditions in Europe.

To obtain these rights, Beaufour Ipsen will provide up to U.S.$28,000,000 (Cdn.$40,300,000) in access fees, milestone payments and minimum research and development funding commitments to the Company. The Company will be responsible for manufacturing and Beaufour Ipsen will pay the Company a royalty on product sales plus a manufacturing transfer price.

Under the terms of the agreement, Beaufour Ipsen purchased, on a private placement basis, 197,863 common shares of the Company at a price of U.S.$25.27 (Cdn. $34.11) per common share, for a total equity investment of U.S.$5,000,000 (Cdn.$6,750,000), representing a 33% premium-to-market price. Beaufour Ipsen has received a warrant to purchase an additional 197,863 common shares of the Company for U.S.$5,000,000 (approximately Cdn.$7,100,000) anytime prior to December 18, 1999 at the same price.

During 1997, the Company recorded income from collaborative arrangements with Beaufour Ipsen of U.S.$2,000,000 (Cdn.$2,789,986).

Note 7. Share Capital

(a) During the year ended December 31, 1997, the Company issued 184,707 common shares upon the exercise of stock options by employees of the Company at exercise prices between $5.88 and $31.85 per common share.

(b) During the year ended December 31, 1996, the Company had the following changes in its authorized and issued shares:

(i) Upon the exercise of employees' and directors' options, the Company issued 1,092,400 common shares to employees and directors of the Company at exercise prices between $5.50 and $24.00 per common share.

(ii) Pursuant to an Underwriting Agreement dated April 18, 1996, the Company issued 3,450,000 common shares for net proceeds of $68,154,266 after deducting expenses of the issue of $5,158,234.

(iii) The Company issued 1,180,453 common shares upon the conversion of 500,000 Series "C" First Preference Shares, including accrued unpaid cumulative dividends of $1,365,483.

(iv) In connection with a collaborative arrangement, the Company issued 368,069 Series "D" First Preference Shares to Sanofi for proceeds of U.S.$5,000,000 (Cdn.$6,850,000).

(v) In connection with a collaborative arrangement, the Company issued 197,863 common shares to Beaufour Ipsen for proceeds of U.S.$5,000,000 (Cdn.$6,750,000).

Note 7. Share Capital (continued)

(c) During the year ended December 31, 1995, the Company had the following changes in its authorized and issued shares:
(i) Upon the exercise of employees' and directors' options, the Company issued 250,791 common shares to employees and directors of the Company at exercise prices between $5.88 and $11.13 per common share.
(ii) The Company issued 5,000 common shares to an executive officer at a deemed price of $8.13 per common share pursuant to the employment agreement of the executive officer.

(d) The following is a summary of stock option transactions for the most recent three fiscal years:

	1997		1996		1995	
	Common Shares	*Price Range*	*Common Shares*	*Price Range*	*Common Shares*	*Price Range*
Balance, beginning of year	792,044	$ 5.50 – 27.00	1,376,841	$ 5.50-11.13	1,224,750	$ 5.50-11.13
Options Granted	832,385	21.75 – 34.25	562,890	13.50-27.00	544,800	6.63- 9.13
Options Canceled	(9,367)	8.75 – 31.85	(55,287)	8.00-13.50	(141,918)	8.13-11.00
Options Exercised	(184,707)	5.88 – 31.85	(1,092,400)	5.50-24.00	(250,791)	5.88-11.13
Balance, end of year	1,430,355	$ 5.50 – 34.25	792,044	$ 5.50-27.00	1,376,841	$ 5.50-11.13

The balance of options outstanding at December 31, 1997 has expiration dates ranging up to November 14, 2002 with a weighted average exercise price of $24.76 per common share.

(e) On March 17, 1992, the Company adopted a Shareholder Protection Rights Plan (the "Plan") to protect its shareholders from unfair, abusive or coercive take-over strategies. The Plan was approved by the shareholders of the Company on April 28, 1992. The Plan was subsequently amended by the Company on March 31, 1997 and re-confirmed by shareholders on May 12, 1997. The Plan, as amended, will remain in effect until March 17, 2002, unless terminated earlier. Under the Plan as amended, holders of common shares are entitled to one share purchase right for each common share held. Generally, if any person or group makes a take-over bid, other than a bid permitted under the Plan (a "Permitted Bid") or acquires 20% or more of the Company's outstanding common shares without complying with the Plan, the Plan will entitle these holders of share purchase rights to purchase, in effect, common shares of the Company at 50% of the prevailing market price.

A take-over bid for the Company can avoid the dilutive effects of the share purchase rights, and therefore become a Permitted Bid, if it complies with provisions of the Plan or if it is expressly approved by the Board of Directors.

(f) In relation to a licensing agreement, the Company has issued to an affiliate of CIBA Vision 500,000 common share purchase warrants exercisable into common shares of the Company on an equal exchange basis upon payment of the following exercise prices within the following expiry dates:

Exercisable	*Exercise Price per Common Share*
March 22, 1995 to March 21, 1996	$ 7.35
March 22, 1996 to March 21, 1997	8.09
March 22, 1997 to March 21, 1998	8.45
March 22, 1998 to March 21, 1999	8.82

As at December 31, 1997, no common share purchase warrants had been exercised.

Note 8. Income Taxes

The Company has approximately $16,500,000 of research and development expenditures available for unlimited carry forward, approximately $7,600,000 of non-capital losses expiring between 1999 and 2005, and approximately $3,700,000 of unclaimed investment tax credits expiring between 1998 and 2005 all of which may be used to reduce future Canadian income taxes otherwise payable. In addition, the Company has approximately U.S.$65,100,000 of net operating losses expiring between 2003 and 2012 which may be used to reduce future U.S. income taxes otherwise payable. The timing and manner in which these losses may be used could be limited as a result of certain ownership changes which may occur as provided under U.S. tax legislation. Recognition of the potential tax benefits associated with these items has not been reflected in the financial statements.

Note 9. Financial Instruments and Concentration of Credit Risk

As at December 31, 1997, the carrying amounts reported in the balance sheet for cash and cash equivalents, accounts receivable, amounts due for reimbursement of co-development costs and accounts payable and accrued liabilities approximate fair value, due to the short term nature of these instruments. The carrying values of short and long-term investments also approximate fair value. With respect to accounts receivable, the total amount due for reimbursement of co-development costs represents the aggregate owing from the Company's two co-development partners. The Company purchases goods and services in both Canadian and U.S. dollars and earns a significant portion of its revenues in U.S. dollars. Foreign exchange risk is managed by satisfying foreign denominated expenditures with cash flows or assets denominated in the same currency. The Company has not entered into forward currency contracts or other financial derivatives to hedge exchange risk.

Note 10. Commitments

The Company has entered into two operating leases with respect to its offices which expire on September 30, 1999. Minimum future rental commitments are as follows:

1998	$ 654,000
1999	490,000

The Company is responsible for its proportionate share of operating costs under the leases. During the year ended December 31, 1997, the amount of net rental expense was $915,000 (1996 – $952,000; 1995 – $868,000).

The Company is also responsible for payment of royalties to unrelated third parties for certain product sales. These royalty arrangements are on reasonable commercial terms and are in the ordinary course of business in the pharmaceutical industry.

Note 11. Differences Between Canadian and United States Generally Accepted Accounting Principles

(a) Accounting for Certain Investments in Debt and Equity Securities. In May 1993, the Financial Accounting Standards Board ("FASB") in the United States issued Statement of Financial Accounting Standard No. 115 ("SFAS 115"), "Accounting for Certain Investments in Debt and Equity Securities." Under SFAS 115, management determines the appropriate classification of cash equivalents, short-term investment securities and long-term investment securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Under SFAS 115, the Company would classify such holdings as available-for-sale securities, which are to be carried at fair value, with unrealized gains and losses reported as a separate component of shareholders' equity.

If the Company had adopted SFAS 115, the effect on shareholders' equity and net income would not have been material for any of the three years ended December 31, 1997.

(b) Accounting for Income Taxes. Under U.S. GAAP, the Company is required to account for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." SFAS 109 requires deferred tax assets or liabilities to be recorded for temporary differences that will result in deductible or taxable amounts in future years as well as loss carry-forwards and deferred investment tax credits. A valuation allowance would be recorded for the portion of the asset where the realization of any value is uncertain. Both the deferred tax asset and valuation allowance have been valued at $47,019,000 as at December 31, 1997 ($42,124,000 as at December 31, 1996).

(c) Accounting for Stock Based Compensation Under U.S. GAAP, in accordance with Statement of Financial Accounting Standard No. 123 ("SFAS 123"), "Accounting for Stock Based Compensation," the Company is required to either disclose or recognize stock based compensation costs using the fair value method. Under Canadian GAAP, the fair value of stock based compensation costs, using either the intrinsic or fair value methods, is not recognized or disclosed in the financial statements.

The following unaudited pro forma financial information presents the net loss and loss per common share had the Company adopted SFAS 123.

(Unaudited)	1997	*1996*	*1995*
Net loss	$ (30,655)	$ (11,088)	$ (16,304)
Loss per common share	$ (1.18)	$ (0.45)	$ (0.82)

Using the fair value method for stock based compensation, during the year ended December 31, 1997, additional compensation costs would be $13,972,405 (1996 – $6,390,428; 1995 – $1,614,508). This calculation is determined using an options pricing model assuming no dividends are to be paid on common shares, a weighted average volatility factor for the Company's share price of 49.82%, (1996 – 76.51%; 1995 – 32.99%) and a weighted average risk free interest rate of 6.0% (1996 – 5.40%; 1995 – 7.06%). The amounts computed according to the options pricing model may not be indicative of the actual values to be realized upon the exercise of these options by the holders.

(d) Earnings Per Share In February 1997, the FASB issued Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share." SFAS 128 is effective for the fiscal year ending after December 15, 1997. SFAS 128 redefines earnings per share under U.S. GAAP and replaces primary earnings per share with basic earnings per share and fully diluted earnings per share with diluted earnings per share. Net loss per share, as reported, is equal to the net loss per share based on SFAS 128 for all years presented.

(e) Recent Accounting Pronouncements In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income." SFAS 130 establishes standards for reporting comprehensive income and its components in a set of general-purpose financial statements that is displayed with the same prominence as other financial statements. Comprehensive income, as defined, includes all changes in equity (net assets) during a period from non-owner sources, including for example, unrealized gains or losses on short-term investment securities which are currently excluded from the results of operations. The disclosures prescribed by SFAS 130 are effective for fiscal years beginning after December 15, 1997. The Company does not expect that adoption of SFAS 130 will have a material effect on its consolidated financial statements.

Also, in June 1997, the FASB issued Statement of Accounting Standards No. 131 ("SFAS 131"),"Disclosures about Segments of an Enterprise and Related Information." SFAS 131 establishes new standards for reporting of information about operating segments. The disclosures prescribed by SFAS 131 are effective for fiscal years beginning after December 15, 1997. The Company does not expect that adoption of SFAS 131 will have a material effect on the notes to its consolidated financial statements.

The common shares of the Company are listed and posted for trading in Canada on The Toronto Stock Exchange under the symbol "QLT" and are authorized for quotation in the United States on The Nasdaq Stock Market under the symbol "QLTIF". The following table sets forth, for the periods indicated, the high and low sales prices and trading volume of the Common Shares, as reported by The Toronto Stock Exchange and The Nasdaq Stock Market, respectively.

	The Toronto Stock Exchange ($CDN)			*The Nasdaq Stock Market ($US)*		
	High	*Low*	*Volume*	*High*	*Low*	*Volume*
[illegible]						
First Quarter	$ 39.00	$ 27.25	8,344,121	$ 28.63	$ 19.81	4,205,150
Second Quarter	35.75	27.60	5,309,762	25.63	19.88	1,942,992
Third Quarter	30.55	21.85	9,709,827	22.00	15.75	4,026,830
Fourth Quarter	26.00	15.25	5,757,273	18.69	10.75	3,142,600
[illegible]						
First Quarter	$ 18.50	$ 11.50	8,375,285	$ 13.75	$ 8.50	2,258,900
Second Quarter	32.30	17.63	11,362,858	23.50	12.75	8,334,100
Third Quarter	26.20	18.00	5,547,885	19.19	13.00	3,888,300
Fourth Quarter	29.10	22.25	4,069,554	21.13	16.38	2,369,400

The last reported sale price of the Common Shares on The Toronto Stock Exchange and on The Nasdaq Stock Market on February 27, 1998, was Cdn. $20.45 and U.S. $14.38, respectively.

As of February 27, 1998, there were approximately 601 registered holders of the Common Shares of the Company with approximately 26.6% of the Common Shares held by residents of the United States.

Annual Financial Data

Set forth below is selected consolidated financial information for the five individual fiscal years ended December 31, 1997, which information has been derived from the consolidated financial statements of the Company that have been audited by Deloitte & Touche for the fiscal years then ended.

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). In certain respects, Canadian GAAP may differ from generally accepted accounting principles in the United States ("U.S. GAAP"). The Company does not believe that there are any material differences between Canadian GAAP and U.S. GAAP with respect to the information set forth below. For a more extensive discussion of the differences between Canadian GAAP and U.S. GAAP, see Note 11 to the audited consolidated financial statements.

Year Ended December 31, (Expressed in thousands of Canadian Dollars except per share information)	1997	*1996*	*1995*	*1994*	*1993*
Statement of Operations Data					
Total revenues	$ 10,341	$ 13,497	$ 2,531	$ 3,776	$ 1,169
Research and development costs	19,214	11,480	12,068	13,846	11,523
Net loss	(16,683)	(4,697)	(14,690)	(14,276)	(12,730)
Net loss per Common Share	(0.64)	(0.19)	(0.77)	(0.72)	(0.75)
Balance Sheet Data					
Working capital	$ 87,794	$ 104,487	$ 12,277	$ 24,060	$ 45,905
Total assets	101,223	112,195	22,678	37,513	54,660
Long-term debt	—	—	—	—	4,553
Shareholders' equity	94,848	108,857	21,194	33,765	47,401

Quarterly Financial Data

Set forth below is selected unaudited financial information for the fiscal quarters of 1997 and 1996.

Three Months Ended (Expressed in thousands of Canadian Dollars except per share information)	*March 31*	*June 30*	*September 30*	*December 31*
1997				
Total revenues	$ 2,052	$ 1,373	$ 2,590	$ 4,326
Net income (loss)	(2,467)	(5,746)	(3,723)	(4,747)
Net loss per Common Share	(0.10)	(0.22)	(0.14)	(0.18)
1996				
Total revenues	$ 345	$ 1,103	$ 1,175	$ 10,874
Net income (loss)	(2,898)	(3,148)	(2,693)	4,042
Net income (loss) per Common Share	(0.14)	(0.14)	(0.12)	0.21

Directors

E. DUFF SCOTT [2,4]
President, Multibanc NT Financial Corp.

PETER A. CROSSGROVE [1,3]
Chairman, Camreal Corporation

JAN DLOUHY PH.D. [2]
Retired Vice President,
Licensing and Acquisitions,
Medical and Agricultural Groups,
American Cyanamid Company

ROBERT J. FEENEY PH.D. [2,3]
Retired General Partner,
Hambrecht and Quist Life Science Technology Fund

ANTHONY F. GRIFFITHS [1]
Corporate Director

RONALD D. HENRIKSEN [1,3]
Chief Executive Officer, Itasca Ventures, LLC

JULIA G. LEVY PH.D.
President and Chief Executive Officer,
QLT PhotoTherapeutics Inc.

Senior Management

JULIA G. LEVY PH.D.
President and Chief Executive Officer

KENNETH H. GALBRAITH C.A.
Senior Vice President and Chief Financial Officer
and Corporate Secretary

MOHAMMAD AZAB M.D.
Vice President, Clinical Research and Medical Affairs

DAVID DOLPHIN PH.D.
Vice President, Technology Development

EDWIN LEVY PH.D.
Vice President, Corporate Development

ALEXANDRA MANCINI
Vice President, Regulatory Affairs

LEE ANNE PILSON
Vice President, Marketing

JOHN YOUNG
Vice President, Commercial Operations

1 Member of the Audit Committee,
Chair: Anthony F. Griffiths
2 Member of the Nominating Committee,
Chair: E. Duff Scott
3 Member of the Executive Compensation Committee,
Chair: Peter A. Crossgrove
4 Chairman of the Board of Directors

Corporate Headquarters

QLT Place, 520 West 6th Avenue
Vancouver, British Columbia
Canada V5Z 4H5
Telephone: (604) 872-7881, Fax: (604) 875-0001
www.qlt-pdt.com

Registered and Records

Farris, Vaughan, Wills & Murphy
2600 - 700 West Georgia Street
Vancouver, British Columbia
Canada V7Y 1B3

Transfer Agent and Registrar Office

Montreal Trust Company
Stock and Bond Transfer Department
510 Burrard Street
Vancouver, British Columbia
Canada V6C 3B9
For change of address, lost stock certificates and other related inquiries, please write to the above address.

Corporate Bankers

Royal Bank of Canada, Vancouver, Canada

Independent Auditors

Deloitte & Touche, Vancouver, Canada

Stock Listing

The Company's Common Shares are traded on the Toronto Stock Exchange under the symbol QLT and on The Nasdaq Stock Market under the symbol QLTIF.

Form 10-K Annual Report

A copy of the Company's Form 10-K Annual Report, as filed with the Securities and Exchange Commission, is available without charge upon request from:
QLT PhotoTherapeutics Inc.
Investor Relations Department
QLT Place, 520 West 6th Avenue
Vancouver, British Columbia
Canada V5Z 4H5

Annual Meeting

The Annual Meeting of Shareholders will be held at the Hotel Vancouver at 10:00 a.m. on Thursday, April 30, 1998.

Our business is science. Our product is life.

QLT PhotoTherapeutics Inc.
520 West 6th Avenue, Vancouver, British Columbia, Canada V5Z 4H5